

DOCKETED

FEB 22 2012



0000134409

ORIGINAL

DOCKETED BY

RECEIVED

AZ CORP COMMISSION
DOCKET CONTROL

2012 FEB 22 PM 4 35

FENNEMORE CRAIG, P.C.
Patrick J. Black (No. 017141)
3003 North Central Avenue, Suite 2600
Phoenix, Arizona 85012
Telephone: (602) 916-5400
Facsimile: (602) 916-5600
Email: pblack@fclaw.com

Attorneys for Cordes Lakes Water Company

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE
APPLICATION OF CORDES LAKES
WATER COMPANY FOR A
PERMANENT RATE INCREASE.

DOCKET NO. W-02060A-07-0256

NOTICE OF COMPLIANCE –
Status Report on Water Loss

Pursuant to Decision No. 70170 (February 27, 2008) (“Order”), Cordes Lakes Water Company (“Cordes Lakes” or “Company”) hereby files this Notice of Compliance in the above-referenced docket. This filing complies with the Order, which requires Cordes Lakes to develop a plan to reduce water loss to less than 10 percent, or prepare a report containing a detailed analysis and explanation demonstrating why water loss reduction to 10 percent or less is not feasible or cost effective, prior to the Company’s next rate case if water loss ever reached above 10%. Based on 2011 water consumption/loss data, it appears that the Company’s water loss exceeded 10%, or roughly 21,800,000 gallons out a total of 87,300,000 gallons pumped during 2011.

Cordes Lakes’ water infrastructure is fairly old, and has been serving customers since first installed in approximately 1968. In order to address water loss, the Company has been on a stringent repair and maintenance schedule, inspecting its distribution system on a monthly basis that includes over 400,000 feet of 4-inch and 6-inch PVC piping. In addition, Cordes Lakes address leaks as they are reported by customers, or when water pressure becomes an issue. Despite these practices, the Company’s water loss continues to rise since its last rate proceeding.

1 In response, Cordes Lakes intends to implement the following plan in 2012:

- 2 • Monitor water pumped versus water delivered to customers on a monthly
- 3 basis;
- 4 • Begin to identify those portions of the Company's distribution system in
- 5 most need of replacement, including all mains and storage facilities, and
- 6 develop a 5-year capital improvement plan based on an applicable
- 7 surcharge mechanism that can be addressed in the next rate case filing;
- 8 • Look for and eliminate any unauthorized connections;
- 9 • Test all water meters and repair or replace any defective ones.

10 The cost to perform a pressure test of the entire distribution system is estimated at
11 \$46,250. It would be a tremendous cost to Cordes Lakes and its ratepayers to replace all
12 water mains no longer meeting code (cl 125 PVC) with c900 cl 150 piping. At
13 approximately \$14.00 per foot and with over 400,000 feet of piping, the cost would be
14 approximately \$5,600,000. This is not economical, nor very viable in light of the
15 operational challenges it would present. However, identifying those portions of the
16 distribution system in most need of repair, or would benefit from piping replacement,
17 should be less difficult once the pressure test is performed and the extent of leakage
18 identified.

19 Furthermore, Cordes Lakes would like to establish a mechanism or surcharge to
20 help pay for these improvements, provided the Commission agrees that the benefits of a
21 capital improvement plan (and associated costs) will outweigh the price to ratepayers.
22 However, this matter will be addressed in the Company's next rate case filing.

23 ///

24 ///


25 ///

26 ///

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

RESPECTFULLY SUBMITTED this 22nd day of February, 2012.

FENNEMORE CRAIG, P.C.

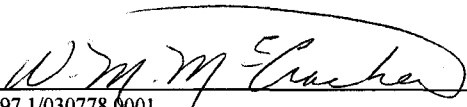
By: 
Patrick J. Black
Attorneys for Cordes Lakes Water Company.

ORIGINAL and **13 copies**
of the foregoing **FILED** this
22nd day of February, 2012 with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

COPY of the foregoing was
HAND-DELIVERED this
22nd day of February, 2012 to:

Brian Bozzo, Compliance
Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

By: 
6661597.1/030778.0001